

MEMO# 22645

June 26, 2008

SEC Draft Letter on FINRA Proposal to Amend Rules Governing Variable Annuities; Comments Requested by July 1

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TO: SEC RULES COMMITTEE No. 43-08
VARIABLE INSURANCE PRODUCTS ADVISORY COMMITTEE No. 19-08 RE: SEC DRAFT
LETTER ON FINRA PROPOSAL TO AMEND RULES GOVERNING VARIABLE ANNUITIES;
COMMENTS REQUESTED BY JULY 1

The Institute has prepared the attached draft comment letter on a proposed rule change by FINRA to amend the principal review requirements of Rule 2821 regarding deferred variable annuities.* The draft letter is summarized below.

Comments on the proposal must be filed with the SEC no later than Tuesday, July 1. Please provide your comments on the draft letter as soon as possible to Heather Traeger by phone at (202) 326-5920 or by email at htraeger@ici.org.

The draft letter supports the proposed changes to Rule 2821 to modify (1) the scope of the rule to exclude non-recommended transactions and (2) the timing of the principal review requirement to begin after a firm has received a complete and correct copy of the application for a deferred variable annuity.

The draft letter states that the proposed changes to the scope of the principal review requirement, limiting its application to recommended transactions, will properly account for the fact that many firms offer platforms that permit investors to make informed investment decisions absent a recommendation and to conduct transactions in a manner that does not involve interaction between the investor and a registered representative. The draft letter also states that the Institute believes the proposed changes rightfully honor investment decisions made by investors without requiring a broker-dealer to second-guess those decisions.

The draft letter states that the proposed changes to the timing of the principal review requirement will allow for a more thorough and meaningful principal review as well as provide for adequate timing to account for circumstances when principals cannot complete their review in the required timeframe due to circumstances outside their control.

The draft letter also commends FINRA for addressing these concerns.

Heather L. Traeger
Assistant Counsel

[Attachment](#)

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